

United States District Court

For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

NETWORK CACHING TECHNOLOGY,  
LLC,

No C-01-2079 VRW

ORDER

Plaintiff,

v

NOVELL, INC, et al,

Defendants.

/

Before the court are defendants' motions to dismiss and to sanction plaintiff's counsel for its alleged failure to conduct an adequate pre-filing investigation of its infringement claims and comply with Patent Local Rule 3-1, as described in the court's August 13, 2002, order. See Novell/Volera Mot for Sanctions (Doc #249); Novell/Volera Mot to Dism (Doc #266); Inktomi Mot for Sanctions (Doc #253); Inktomi Mot to Dism (Doc #259); Cacheflow Mot to Dism (Doc #260). For the reasons set forth below, the court DENIES defendants' motions to dismiss (Docs ## 259, 260, 266) and for sanctions (Docs ## 249, 253) without prejudice to renewal if it is shown during subsequent

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1 proceedings that NCT's patent infringement allegations are  
2 ultimately meritless.

3

4 I

5 On May 29, 2001, plaintiff Network Caching Technology  
6 LLC (NCT) commenced this action against defendants Novell, Inc,  
7 Volera Inc, Akamai Technologies, Inc, Cacheflow, Inc and Inktomi  
8 Corporation, alleging infringement of certain NCT patents.  
9 Defendant Akamai Technologies, Inc has since been dismissed from  
10 this action. See Notice of Dism (Doc #236).

11 NCT alleges that defendants infringed its patents for  
12 network services software products. NCT alleges that it is the  
13 assignee of four patents at issue in this case: United States  
14 patent nos 5,611,049 ('049 patent); 5,892,914 ('914 patent);  
15 6,026,452 ('452 patent); and 6,085,234 ('234 patent). The  
16 patents at issue describe an algorithm for directing network  
17 traffic and speeding up networks by caching (storing duplicate  
18 images of data). Applications of the patent technology are  
19 particularly useful in internet services to speed up and control  
20 internet traffic at a company's internet site and in intranet  
21 services to speed up and control traffic within a company's  
22 proprietary network.

23 NCT alleges that Novell, Volera and Inktomi make and  
24 sell software products that contain algorithms which allegedly  
25 infringe the patents. Cacheflow allegedly manufactures and  
26 sells computer equipment, specifically network servers, which  
27 work by themselves and in conjunction with other software to  
28 infringe the patents.

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1           In February and March 2002, defendants brought to the  
2 court's attention several discovery disputes regarding, inter  
3 alia, NCT's preliminary infringement contentions (PICs). See  
4 Docs ## 66-86. On March 15, 2002, the court held a status  
5 conference to discuss the parties' discovery disputes. At that  
6 conference, NCT admitted that it had not reverse engineered  
7 defendants' products to determine whether the products infringed  
8 the patents at issue. See Transcript (Doc #193), at 41:17-25.  
9 The conference concluded with the court suggesting that NCT  
10 revise its PICs to provide more detailed infringement  
11 allegations. See id at 48:10-50:5. NCT revised its PICs and,  
12 based on further discussions with defendants, revised its PICs a  
13 second time. Even with the second revision, defendants  
14 contended that NCT's PICs were inadequate and accordingly moved  
15 to strike NCT's second revised PICs and to dismiss the complaint  
16 for NCT's continued failure to comply with Patent LR 3-1. See  
17 Docs ## 115, 126, 129, 134.

18           By written order dated August 13, 2002, the court found  
19 NCT's second revised PICs to be "plainly insufficient", granted  
20 defendants' motion to strike and ordered NCT to revise its PICs  
21 to comply with the requirements of Patent LR 3-1. The court,  
22 however, declined to dismiss NCT's complaint, finding such  
23 action to be "premature" on the existing record. 8/13/02 Order  
24 (Doc #227), at 7. The court found "no evidence before it that  
25 NCT has not attempted to comply with the court's orders and the  
26 local rules in this case. \* \* \* Until this order, the court's  
27 involvement has not definitively determined which party has the  
28 correct view." Id.

1           On October 15, 2002, NCT served its third revised PICs.  
2 Over two months later, on December 18, 2002, defendants filed  
3 the present motions to dismiss NCT's first amended complaint.  
4 See Docs ## 259, 260, 266. Also on that date, Novell, Volera  
5 and Inktomi moved for sanctions against NCT and its counsel,  
6 Jones Day Reavis & Pogue. See Docs ## 249, 253.

7

## 8           II

9           Defendants move for dismissal primarily based on NCT's  
10 purported continued failure to comply with Patent LR 3-1 despite  
11 the court's August 13, 2002, order. See Novell/Volera Mot to  
12 Dism (Doc #266); Inktomi Mot for Sanctions (Doc #253); Inktomi  
13 Mot to Dism (Doc #259); Cacheflow Mot to Dism (Doc #260).  
14 Alternatively, defendants also urge dismissal under FRCP 11,  
15 based on inadequacies in the pre-filing investigation conducted  
16 by Jones Day Reavis & Pogue, NCT's counsel. See Novell/Volera  
17 Mot for Sanctions (Doc #249). The court discusses each of these  
18 arguments below.

19

## 20           A

21           Defendants argue that NCT's third revised PICs fail to  
22 meet the requirements of Patent LR 3-1 and warrants the harsh  
23 sanction of dismissal. To support dismissal, defendants present  
24 various theories, including (1) NCT's failure to prosecute,  
25 pursuant to FRCP 41(b); (2) NCT's defiance of a discovery order,  
26 pursuant to FRCP 37; and (3) the court's inherent power to  
27 discipline willful or reckless misconduct.

28           Defendants attempt to characterize NCT's latest revised

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1 PICs as its "fifth" consecutive and deliberate failure to comply  
2 with Patent LR 3-1. The court previously explained, however,  
3 that NCT did not have actual notice that its PICs were deficient  
4 until the court's August 13, 2002, order. Notably, in response  
5 to NCT's third revised PICs, defendants do not move to strike on  
6 the ground of insufficiency, as they did previously, but rather  
7 seek dismissal of the entire action.

8 It is well-settled that NCT has a duty to prosecute its  
9 case. See FRCP 41(b). A court possesses the inherent authority  
10 to dismiss an action pursuant to FRCP 41(b) for failure to  
11 prosecute "to achieve the orderly and expeditious disposition of  
12 cases." Link v Wabash R R Co, 370 US 626, 630-32 (1962); Oliva  
13 v Sullivan, 958 F2d 272, 273 (9th Cir 1992). Because dismissal  
14 is a harsh penalty, it should be limited as a sanction only in  
15 extreme circumstances. Thompson v Housing Auth, 782 F2d 829,  
16 831 (9th Cir), cert denied, 479 US 829 (1986). The Ninth  
17 Circuit has explained that a district court must weigh several  
18 factors to decide whether to dismiss:

19 (1) the public's interest in expeditious resolution of  
20 litigation; (2) the court's need to manage its docket;  
21 (3) the risk of prejudice to the defendants; (4) the  
22 public policy favoring disposition of cases on their  
merits and (5) the availability of less drastic  
sanctions.

23 Thompson, 782 F2d at 831. Dismissal is proper "where at least  
24 four factors support dismissal, \* \* \* or where at least three  
25 factors 'strongly' support dismissal." Yourish v Calif Amplif,  
26 191 F3d 983, 990 (9th Cir 1999) (quoting Ferdik v Bonzelet, 963  
27 F2d 1258, 1263 (9th Cir 1992)).

28 FRCP 37 also provides sanctions for failure to comply

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1 with federal rules pertaining to discovery. The court may "make  
2 such orders in regard to the failure as are just," including  
3 issue- and claim-dispositive findings. See FRCP 37(b) (2).

4 The parties do not discuss whether FRCP 37 provides a  
5 basis for sanction for violation of Patent LR 3-1. Patent LR 1-  
6 2 provides that "[t]he Civil Local Rules of this Court shall  
7 also apply to" patent cases, while Civil LR 1-4 provides that  
8 "[f]ailure by counsel or a party to comply with any duly  
9 promulgated local rule \* \* \* may be a ground for imposition of  
10 any authorized sanction." Other patent local rules, aside from  
11 3-1, specifically authorize certain types of sanctions. See, e  
12 g, Patent LR 3-8 (prohibiting reliance on opinion of counsel as  
13 part of a defense to willful infringement unless a party  
14 complies with Patent LR 3-8 or otherwise obtains the permission  
15 of all other parties or the court).

16 While FRCP 37 sanctions are limited to failures to  
17 respond to interrogatories and document requests served under  
18 FRCP 33 and 34 or to comply with an order compelling disclosure  
19 under FRCP 37, the Ninth Circuit has declined to extend these  
20 sanctions to general discovery disputes under the rule. Halaco  
21 Engineering Co v Costle, 843 F2d 376, 380 (9th Cir 1988).  
22 Defendants do not address whether the court may sanction failure  
23 to comply with Patent LR 3-1 with the remedies set forth under  
24 FRCP 37(b) (2).

25 Nevertheless, there is no question the court may, again  
26 under its inherent authority, sanction failure to comply with  
27 court orders, such as the August 13, 2002, order, and for  
28 "discovery abuses that may not be a technical violation of the

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1 discovery rules." Id at 381. Such action by the court may be  
2 justified to "protect[] the due and orderly administration of  
3 justice" and "maintain[] the authority and dignity of the  
4 court." Primus Automotive Financial Servs, Inc v Batarse, 115  
5 F3d 644, 648 (9th Cir 1997) (citing United States v Hudson, 7  
6 Cranch 32, 34 (1812)). Specifically, in the context of  
7 discovery abuse, the court must consider (1) the existence of  
8 certain extraordinary circumstances, (2) the presence of  
9 willfulness, bad faith, or fault by the offending party, (3) the  
10 efficacy of lesser sanctions and (4) the relationship or nexus  
11 between the misconduct drawing the sanction and the matters in  
12 controversy in the case. In addition, the court may also  
13 consider (5) the prejudice to the party victim of the misconduct  
14 and (6) the government interests at stake. Halaco Engineering  
15 Co v Costle, 843 F2d 376, 380 (9th Cir 1988).

16 Regardless of the theory, however, the court finds that  
17 dismissal of NCT's action on this ground is unwarranted because  
18 its third revised PICs are sufficient to comply with Patent LR  
19 3-1, which requires disclosure of:

- 20 (a) Each claim of each patent in suit that is allegedly  
21 infringed by each opposing party;
- 22 (b) Separately for each asserted claim, each accused  
23 apparatus, product, device, process, method, act or  
24 other instrumentality \* \* \* of each opposing party of  
25 which the party is aware. This identification shall be  
26 as specific as possible. Each product, device, and  
apparatus must be identified by name or model number,  
if known. Each method or process must be identified by  
name, if known, or by any product, device, or apparatus  
which, when used, allegedly results in the practice of  
the claimed method or process;
- 27 (c) A chart identifying specifically where each element  
28 of each asserted claim is found within each Accused  
Instrumentality, including for each element that such

1 party contends is governed by 35 USC § 112(6), the  
2 identity of the structure(s), act(s), or material(s) in  
the Accused Instrumentality that performs the claimed  
function;

3 \* \* \*

4 By previous order, the court rejected defendants' view  
5 that NCT was required to reverse engineer the allegedly  
6 infringing products to comply with these disclosure  
7 requirements. Instead, the court ruled that "reverse  
8 engineering or its equivalent" was required to provide the  
9 requisite level of preliminary infringement information to  
10 defendants. While the court did not elaborate on what an  
11 "equivalent" to reverse engineering would entail, the court was  
12 animated by its concern that NCT's PICs were "replete with vague  
13 discussions of the claim terms" and that NCT "ha[d] provided no  
14 further information to defendants than the claim language  
15 itself." 8/13/02 Order (Doc #227), at 11-12.

16 NCT has remedied these deficiencies in its third  
17 revised PICs. While NCT's responses may not be an exemplary  
18 model of disclosure, Patent LR 3-1 does not require NCT to  
19 produce evidence of infringement or to set forth ironclad and  
20 irrefutable claim constructions. Rather, Patent LR 3-1 is  
21 "designed to require parties to crystallize their theories of  
22 the case early in the litigation and to adhere to those theories  
23 once they have been disclosed." LG Electronics Inc v Q-Lity  
24 Computer Inc, 211 FRD 360, 367 (ND Cal 2002) (quoting Atmel Corp  
25 v Information Storage Devices, Inc, 1998 WL 775115 at \*2 (ND Cal  
1998)). Whether those theories may ultimately be vindicated  
27 through claim construction and at trial is an entirely separate  
28

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1 matter from whether Patent LR 3-1 has been satisfied. At this  
2 juncture, a party may comply with Patent LR 3-1 by setting forth  
3 particular theories of infringement with sufficient specificity  
4 to provide defendants' with notice of infringement beyond that  
5 which is provided by the mere language of the patents  
6 themselves. See 8/13/02 Order (Doc #227) ("Patent LR 3-1 \* \* \*  
7 takes the place of a series of interrogatories that defendants  
8 would likely have propounded had the patent local rules not  
9 provided for streamlined discovery.").

10 Defendants' dozens of objections to NCT's PICs take  
11 issue with the ultimate validity of NCT's claim construction or  
12 are based on defendants' belief that NCT will be unable to  
13 provide evidence of infringement at trial. For example, Inktomi  
14 contends that NCT has failed to provide "support for the  
15 allegation that [Inktomi's] Traffic Server [product] always  
16 saves a copy of the requested data." See Inktomi Mem (Doc  
17 #262), at 11. But PICs are not meant to provide a forum for  
18 litigation of the substantive issues; they are merely designed  
19 to streamline the discovery process. Inktomi essentially  
20 objects to the merits of NCT's theory of infringement. These  
21 sorts of concerns clearly are not meant to be resolved all in  
22 the context of NCT's PICs, and the court declines to do so here.  
23 Defendants will be afforded shortly the opportunity to press the  
24 validity of NCT's construction of its own patent claims and  
25 defendants' products. See Jt Case Mgt Conf Stmt (Doc #247)  
(Markman hearing scheduled for later this year).

27 Nor does Patent LR 3-1 require that NCT's preliminary  
28 infringement theories be incontrovertible or presented in

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1   excruciating detail. While the rule states that these  
2   disclosures should be "as specific as possible," there is no  
3   requirement that NCT thoroughly present and successfully defend  
4   its theories of infringement in the confines of a PIC chart. At  
5   this stage, mapping specific elements of defendants' allegedly  
6   infringing products onto NCT's claim construction is adequate.

7                 Defendants also contend that by continuing to rely on  
8   marketing materials, white papers and other publicly available  
9   product documentation, NCT has failed to comply with the court's  
10   order which required "reverse engineering or its equivalent."  
11   But the question whether NCT conducted "reverse engineering or  
12   its equivalent" is not synonymous with whether it has complied  
13   with Patent LR 3-1, which, as discussed, requires a party only  
14   to set forth its specific theories of infringement. The court  
15   finds that NCT has provided sufficient information in its PICs  
16   to satisfy Patent LR 3-1.

17

18

B

19                 Despite the court's determination that NCT has complied  
20   with Patent LR 3-1, information disclosed by way of PICs may  
21   nevertheless present a picture of the sort of prefilings  
22   investigation conducted by NCT. Because "NCT must provide in  
23   its PICs the relevant facts it obtained in its prefilings  
24   inquiry," "NCT's PICs \* \* \* provide an accurate picture of the  
25   maximum possible inquiry in which NCT engaged before filing  
26   suit." See 8/13/02 Order (Doc #227), at 8-9. Thus, the  
27   investigative methods underlying NCT's third revised PICs are  
28   relevant to defendants' alternative argument that dismissal and

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1 other sanctions are warranted under FRCP 11, a subject to which  
2 the court turns.

3

4 1

5 FRCP 11 requires counsel to sign every pleading,  
6 written motion or other paper presented to the court. Counsel's  
7 signature is a certification that "to the best of the person's  
8 knowledge, information, and belief," the paper is not baseless  
9 or meant to further "any improper purpose" and was submitted  
10 "after an inquiry reasonable under the circumstances." FRCP  
11(b). A party moving for FRCP 11 sanctions bears the burden of  
12 establishing noncompliance. See Tom Grownay Equipment, Inc v  
13 Shelley Irr Development, Inc, 834 F2d 833, 837 (9th Cir 1987).

14 The Ninth Circuit has held that, under the  
15 "frivolousness prong" of FRCP 11, an attorney may be sanctioned  
16 for failing to conduct a reasonable pre-filing inquiry if the  
17 paper at issue lacks merit. See In re Keegan Mgt Co Sec Lit, 78  
18 F3d 431, 434 (9th Cir 1995). In that case, the Ninth Circuit  
19 explained that FRCP 11 sanctions apply only to "a filing that is  
20 both baseless and made without a reasonable and competent  
21 inquiry." Id (emphasis in original) (quoting Townsend v Holman  
22 Consulting Corp, 929 F2d 1358, 1362 (9th Cir 1990) (en banc));  
23 see also Buster v Greisen, 104 F3d 1186, 1190 (9th Cir 1997).

24 In a patent infringement case such as this, the Federal  
25 Circuit has explained that FRCP 11 "require[s] that an attorney  
26 interpret the pertinent claims of the patent in issue before  
27 filing a complaint alleging patent infringement." Antonious v  
28 Spalding & Evenflo Cos, Inc, 275 F3d 1066, 1072 (Fed Cir 2002).

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1 This entails, "at a bare minimum, apply[ing] the claims of each  
2 and every patent that is being brought into the lawsuit to an  
3 accused device and conclude that there is a reasonable basis for  
4 a finding of infringement of at least one claim of each patent  
5 so asserted." View Eng'g Inc v Robotic Vision Systems, Inc, 208  
6 F3d 981, 986 (Fed Cir 2000).

7 Alternatively, the court may sanction conduct under  
8 FRCP 11 intended "for any improper purpose, such as to harass or  
9 to cause unnecessary delay or needless increase in the cost of  
10 litigation." FRCP 11(b). Objective evidence may be used to  
11 demonstrate subjective bad intent. See Townsend, 929 F2d at  
12 1362. But while defendants contend that NCT's and Jones Day's  
13 failure to conduct an adequate pre-filing investigation was  
14 intentional, they do not argue that the improper purpose prong  
15 of FRCP 11 applies. Accordingly, the court limits its inquiry  
16 to the frivolousness prong of FRCP 11.

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18 2  
19  
20 NCT does not dispute that it did not engage in what is  
21 traditionally thought of as "reverse engineering," which  
22 generally involves physical scrutiny and deconstruction of the  
23 actual product at issue to ascertain its operation. NCT has  
24 admitted that it did not reverse engineer the products at issue  
25 prior to filing suit, Transcript (Doc #193), at 41:17-25, but it  
contends that it need not have done so. NCT argues that its use  
of marketing materials is equivalent to traditional reverse  
engineering and that, as a result, its reliance on those  
materials is adequate to support a reasonable pre-filing

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1 inquiry. NCT presents several engineering treatises and  
2 articles to support its view that examination of marketing  
3 materials alone can operate as the functional equivalent of  
4 traditional reverse engineering.

5 Those treatises, however, recognize the limitation of  
6 relying solely on marketing materials, white papers and other  
7 product documentation. While these materials do contain some  
8 level of technical discussion (see, e.g., Geyer Decl (Doc #282),  
9 Exh I), looking at these indirect sources of information fails  
10 to satisfy the pre-filing investigation requirements described  
11 both by View Eng'g and the court's previous order.

12 To satisfy the reasonable inquiry requirement of FRCP  
13 11, the Federal Circuit requires, at a "bare minimum", that an  
14 attorney bringing an infringement suit apply the patent claims  
15 at issue "to an accused device." NCT, however, contends that it  
16 may compare its patent claims to an accused device without any  
17 actual examination of the accused device. The Federal Circuit's  
18 holding in Antonious is instructive on this matter. In that  
19 case, the plaintiff's law firm admitted that it had not directly  
20 examined most of the products alleged to infringe plaintiff's  
21 patents. See 275 F3d at 1075-76. "Instead, the \* \* \* attorneys  
22 inferred that the [products at issue] had an interior structure  
23 similar to the [product they had examined]." Id at 1076. The  
24 Federal Circuit held that, "[o]n remand, the trial court must  
25 decide whether that inference was reasonable, given the other  
information the \* \* \* attorneys had at the time." Id.

27 In the instant case, NCT relies similarly on indirect  
28 evidence of infringement. Rather than directly examining of

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1 each of the allegedly infringing products, NCT looked to  
2 indirect evidence whose reliability and actual resemblance to  
3 the products in question is questionable. Here, however, NCT  
4 seems to have engaged in even less inquiry than the counsel in  
5 Antonious, as NCT apparently failed to examine any of the  
6 accused products directly before filing suit.

7 The court finds that, under the circumstances, NCT  
8 failed to conduct a reasonable pre-filing investigation. NCT  
9 does not deny that it had the ability to obtain the allegedly  
10 infringing products and examine them to determine, for example,  
11 whether they operated materially in the manner described by the  
12 marketing materials. It is also undisputed that NCT was aware  
13 of possible infringement by defendants' products as late as  
14 October 1999, over 18 months before commencement of this suit on  
15 May 29, 2001. See Burton Decl (Doc #255), Exhs 6-7. NCT's  
16 failure to examine the accused products directly is both  
17 preposterous and unjustified. Accordingly, the court concludes  
18 that its pre-filing investigation was unreasonable and does not  
19 comport with the requirements of FRCP 11.

20 The court, however, declines to award FRCP 11 sanctions  
21 at this time because, as earlier described, the Ninth Circuit  
22 requires that the filing at issue also be baseless. See In re  
23 Keegan Mgt Co Sec Lit, 78 F3d at 434. At this juncture, the  
24 court is unable to ascertain definitively whether NCT's  
25 infringement claims are without any merit. Cf Committee Notes  
26 on Amendments to Fed R of Civ P, 146 FRD 401, 590 (1993) (noting  
27 that FRCP 11 "should not be employed \* \* \* to test the legal  
28 sufficiency or efficacy of allegations in the pleadings").

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1           Defendants' reliance on View Eng'g and Antonious to  
2 support sanctions at this stage of the litigation is factually  
3 misplaced. Unlike the counter-claimant in View Eng'g, who  
4 dismissed dozens of claims and "admit[ted] that [they] had no  
5 factual basis \* \* \*", 208 F3d at 984, NCT continues to assert  
6 that its patent infringement claims have merit. While NCT may  
7 have altered its underlying theories of infringement in  
8 successive PIC revisions, NCT continues to assert the validity  
9 of its claims.

10           Antonious, also cited by defendants, is inapposite at  
11 the present procedural posture because it involved a  
12 determination, after summary judgment, that the construction on  
13 which the plaintiff's infringement claims were based was  
14 frivolous. See 275 F3d at 1071. Indeed, the trial court  
15 "withheld ruling on the sanctions motion until the liability  
16 issues were finally resolved." Id. Without further  
17 proceedings, such as a claim construction or summary judgment  
18 hearing, the court cannot definitively assess whether NCT's  
19 claims are in fact baseless.

20           In addition, the court is reluctant to hold that  
21 withdrawal of claims or theories of infringement alone is  
22 sufficient to conclude that these claims were baseless. With  
23 respect to FRCP 11 sanctions against the changing contentions  
24 contained in the PICs themselves, the court notes that, by its  
25 terms, FRCP 11 sanctions do not extend to discovery disputes.  
26 See FRCP 11(d); Patelco Credit Union v Sahni, 262 F3d 897, 913  
27 n15 (9th Cir 2001). Beyond that, however, imposing sanctions  
28 merely for withdrawal would ultimately create perverse

1 incentives for parties to extend the lifespan of unsupportable  
2 claims and theories in order to avoid accusations of, and  
3 sanctions for, purportedly baseless conduct.

4           Based on the record before it, the court simply cannot  
5 ascertain, from an objective standpoint, whether NCT's patent  
6 infringement claims are baseless. The court therefore DENIES  
7 their motions for dismissal and for other sanctions under FRCP  
8 11 without prejudice to renewal as further developments warrant.  
9 If renewed, defendants must demonstrate not only that NCT's  
10 claims are erroneous but that they are baseless.

III

Inktomi also moves for a monetary award pursuant to FRCP 11 for the costs of opposing NCT's motion to strike its affirmative defenses. See Doc #253. But the court granted nearly the entirety of NCT's motion to strike Inktomi's affirmative defenses. See 12/31/01 Order (Doc #53) (striking Inktomi's first, third, fourth, fifth, sixth, seventh, eighth, tenth and eleventh affirmative defenses). The only affirmative defense not struck by the court was Inktomi's second affirmative defense, which the court declined to strike because it found Inktomi's pleading "sufficient" "at this early stage in the litigation." Id at 10-11.

24 As discussed above, FRCP 11 may only be used to target  
25 filings that are baseless. Inktomi cannot credibly contend that  
26 NCT's largely successful motion to strike affords a basis for  
27 monetary award.

## IV

Next, the court considers whether to impose monetary sanctions on NCT and its counsel under 28 USC § 1927. Section 1927 of Title 28 of the United States Code provides:

Any attorney \* \* \* who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

"Sanctions pursuant to section 1927 must be supported by a finding of subjective bad faith." New Alaska Development Corp v Guetschow, 869 F2d 1298, 1306 (9th Cir 1989). This section does not apply to the initial filing of a complaint; it covers only subsequent conduct. In re Keegan Mgt Co Sec Lit, 78 F3d at 435. Thus, § 1927 does not afford defendants a remedy for lapses in NCT's pre-filing investigation.

Because the court has concluded that NCT is in compliance with Patent LR 3-1 and for reasons discussed in the court's August 13, 2002, order, the court finds that defendants have not established that NCT acted in bad faith by its numerous PIC revisions. NCT did not have definitive notice of the deficiency of its PICs until the court's August 13, 2002, order, and it complied with Patent LR 3-1's requirements soon thereafter. The court therefore DENIES defendants' motion for sanctions to the extent they are sought under 28 USC § 1927 (Doc #253).

## V

This leaves defendants' motion for partial summary judgment that claims 1,2,3 of the '234 patent are not entitled

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1 to an earlier priority date. At the March 5, 2003, hearing, in  
2 the interest of judicial economy, the court deferred oral  
3 argument on defendants' partial summary judgment motion until it  
4 had resolved the dispositive motions that are the subject of  
5 this order.

6 Having now determined that dismissal is unwarranted on  
7 the present record, the court shall SET a new hearing date so  
8 that defendants' motion for partial summary judgment may be  
9 heard. Counsel are directed to confer and present to the  
10 courtroom deputy within 10 days of the entry of this order a  
11 mutually agreeable hearing date.

## VI

14 In sum, the court DENIES defendants' motions for  
15 sanctions and to dismiss NCT's complaint (Docs ## 249, 253, 259,  
16 260, 266) without prejudice to renewal if defendants are  
17 subsequently able to demonstrate the frivolousness of NCT's  
18 patent claims. In addition, the court administratively  
19 TERMINATES defendants' motion for partial summary judgment (Doc  
20 #231) and REINSTATES it for hearing on a date to be selected by  
21 counsel, who are DIRECTED to inform the courtroom deputy within  
22 10 days of the entry of this order of the new hearing date.

23 As an administrative matter, the court TERMINATES  
24 Inktomi's motion to compel production of documents listed in  
25 NCT's privilege log (Doc #145). This matter was referred to  
26 Magistrate Judge Zimmerman but has not been ruled upon in light  
27 of the stay on discovery ordered by the court on August 13,  
28 2001. See 8/13/02 Order (Doc #227), at 14-15. If necessary,

1 Inktomi may renew the motion before Magistrate Judge Zimmerman.

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3 IT IS SO ORDERED.

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5 /s/

6 VAUGHN R WALKER  
7 United States District Judge

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